

ORDINANCE NO. 182949

An ordinance adding a new Section 23.143.1 to Chapter 7, Article 3, Division 23 of the Los Angeles Administrative Code to provide authority to the Board of Water and Power Commissioners and the General Manager of the Department of Water and Power to enter into contracts and financial transactions for the purchase and sale of environmental credits, including emission credits and renewable energy credits (RECs).

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. A new Section 23.143.1 is added to Chapter 7, Article 3, Division 23 of the Los Angeles Administrative Code to read as follows:

Sec. 23.143.1. Authority of the Board of Water and Power Commissioners and the General Manager of the Department of Water and Power to enter into contracts and financial transactions for environmental credits, including emission credits or allowances and Renewable Energy Credits (RECs).

(1) Notwithstanding any other provision of this Code to the contrary, the Board of Water and Power Commissioners and the General Manager of the Department of Water and Power shall have the authority to enter into contracts and financial transactions for environmental credits and Renewable Energy Credits (RECs), subject to the following:

(a) Definitions.

“Environmental Credit” means any environmental credit, attribute, allowance or benefit as may be defined by law, regulation, industry practice or convention, including, but not limited to, emissions credits or alternative fuel vehicle credits used for the purposes of compliance with environmental or energy laws, regulations and policies.

“Renewable Energy Credit” or **“REC”** means any credit, attribute, allowance or benefit that is an environmental certificate representing proof that a certain quantity of energy was generated or purchased from a renewable energy resource, often denominated in units of megawatt-hours (MWh), although other units may be used.

(b) This section applies only to the purchase, sale or exchange of Environmental Credits and RECs by the Department of Water and Power for compliance with environmental or energy laws, regulations and policies that support its production of electricity to serve its retail customers or for environmental purposes. The Department shall not participate in the environmental markets to engage in speculative activities but rather to maintain compliance with environmental laws, regulations and policies.

(c) Contracts and financial transactions entered into pursuant to this section shall be subject to the following limitations:

(1) RECLAIM Trading Credits or RTCs: Spot purchase of single-year vintage credits shall not exceed \$60.00 per pound.

(2) Emission Reduction Credits or ERCs: purchase of PM10/PM2.5, sulfur oxides (SOx), reactive organic gases (ROG), and carbon monoxide (CO) ERCs shall not exceed the following: \$700,000/lb/day for PM10/PM2.5, \$200,000/lb/day for SOx, \$40,000/lb/day for ROG, and \$15,000/lb/day for CO.

(3) Energy Policy Act Alternative Fuel Vehicle Credits: Purchase shall not exceed \$5,000.00 per credit.

(4) Greenhouse Gas (GHG) Allowances, Offsets and Low Carbon Fuel Standard Credits: Purchase shall not exceed \$150.00 per allowance. Greenhouse gases include, but are not limited to, carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), sulfur hexafluoride (SF₆), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and hydrocarbons.

(5) Renewable Energy Credits: Purchase shall not exceed \$100/REC.

(6) Contracts and financial transactions entered into pursuant to this section shall be for a period not to exceed five (5) years in duration from the date of execution, except that purchases for a longer term may be entered into in order to match or offset the likely duration of specific output from specific facilities owned or contracted for by the Department.

(d) Prior to entering into any contract or financial transaction, the Board of Water and Power Commissioners, by resolution, shall do the following:

(1) Establish an environmental and emission credit policy (Policy) relating to the purchase, sale and exchange of Environmental Credits and RECs. The Policy will address the mechanisms by which the Department of Water and Power will control business-related risks.

(2) Authorize the general payment, security, default, remedy and other terms and conditions as specified by the Board of Water and Power Commissioners to be utilized in every contract or financial transaction.


(e) The Board of Water and Power Commissioners under the authority of Charter Section 604(c) is authorized to delegate to the General Manager of the Department of Water and Power the authority to enter into contracts and financial transactions pursuant to this section, provided such transactions comply with the limitations set forth herein.

(f) The Department of Water and Power shall perform an annual audit using either an outside auditor or a comparable third party approved by the Board of Water and Power Commissioners relating to the activities authorized under this section. This audit need not be performed separately, but may be conducted in conjunction with other audits performed for the Department. The audit report shall provide, but is not limited to, an assessment of the adequacy of risk management controls and compliance with the provisions set forth in this section. Within five (5) days after receipt of the audit report, the audit report shall be distributed to the Board of Water and Power Commissioners, the City Council and the Mayor.


Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of MAR 19 2014.

HOLLY L. WOLCOTT, Interim City Clerk

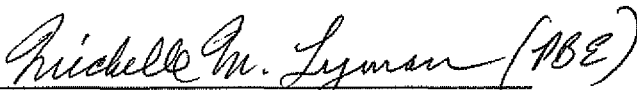
By 
Deputy

Approved 3/25/14


Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By 
MICHELLE M. LYMAN
Deputy City Attorney

Date Aug 16, 2013

File No. 13-0201